

Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04

OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-07 CEA-01 DOE-15 SOE-02 /118 W

-----120457 300942Z /10

R 280808Z APR 78

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC 7798

UNCLAS DAMASCUS 2394

C O R R E C T E D C O P Y T E X T

3.O. 11652: NA

TAGS: ETRD, BEXP, SY, XX

SUBJ: INTERAGENCY TASK FORCE TO DEVELOP NATIONAL EXPORT POLICY:

SYRIA AND THE ARAB WORLD

REF: A) DAMASCUS 2342 B) STATE 95673

1 DAMASCUS 2342 CONTAINED ECONOMIC/COMMERCIAL SECTION'S
INITIAL RESOPNSE REF B AND SUGGESTIONS TO INTERAGENCY TASK
FORCE. MY ADDITIONAL THOUGHTS ON MEASURE USG COULD
TAKE TO PROMOTE EXPPRTS FOLLOW:

A) OUR ANTI-BOYCOTT LEGISLATION AND REGULATIONS ACT AS A
DISINCENTIVE TO EXPORTERS IN TWO WAYS. FIRST, OUR REFUSAL
TO ALLOW US FIRMS TO REWPOND TO ARAB BOYCOTT OFFICE REQUESTS
OR QUESTIONNAIRES HAS LEFT THEM DEFENSELESS AGAINST
ACCUSATIONS (HOWEVER FRIVOLOUS) ORIGINATING WITH EUROPEAN,
JAMANESE OR OTHER COMPETITORS THAT THEY ARE IN SOME WAY
VIOLATING THE ARAB BOYCOTT. THE BOYCOTT OFFICE SENDS A
ROUTINE QUESTIONNAIRE AND THE POTENTIAL ARAB PURCHASER,
FEARFUL OF CONTROVERSY OR CRITICISM, SIGNES WITH A NON-US
SUPPLIER. USE OF THIS TACTIC BY FOREIGN COMPETITORS HAS
INCREASED SINCE OUR ANTI-BOYCOTT LEGISLATION WENT INTO
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EFFECT. SECOND, THE MERE EXISTENCE OF A COMPLICATED
SET OF ANTI-BOYCOTT REGULATIONS ACTS TO DISCOURAGE
FIRMS NOT ALREADY WELL ESTABLISHED IN THE ARAB WORLD
FROM TRYING TO DO BUSINESS HERE. LOCAL BUSINESSMEN HAVE
PASSED ON TO US SEVERAL EXAMPLES OF US FIRMS BACKING OUT
OF EXISTING NEGOTIATIONS WITHOUT STATING THEIR REASONS.
BOTH THEY AND WE BELIEVE THESE FIRMS WERE SCARED AWAY

BY NEW US LEGISLATION. GIVEN LEGISLATIVE HISTORY AND PROMINENT ROLE OF LOBBYING GROUPS IN ITS PASSAGE, IT IS UNCONVINCING TO ARGUE, AS WE AND OTHER US OFFICIALS ARE TRYING TO DO, THAT LEGISLATION IS NOT DIRECTED AGAINST THE ARAB BOYCOTT.

B) WE ARE FORBIDDEN TO REPORT TRADE OPPORTUNITIES CONTAINING BOYCOTT LANGUAGE EVEN IN CASES WHERE WE ARE REASONABLY SURE UNACCEPTABLE BOYCOTT LANGUAGE OR CONDITIONS COULD BE NEGOTIATED OUT OF THE CONTRACT BY A SERIOUS SUPPLIER.

C) THE EXPORT IMPORT BANK HAS NO OUTSTANDING LOANS OR GUARANTEES IN SYRIA. DESPITE THE BANK'S RECENTLY PROFESSED WILLINGNESS TO CONSIDER ONE OR TWO SMALL TRANSACTIONS OUR IMPRESSION FROM SEVERAL RECENT BUSINESS VISITORS IS THAT THE BANK STILL HARBORS A CERTAIN RELUCTANCE TO FINANCE OR GUARANTEE EXPORTS TO SYRIA. THIS CONTRASTS SHARPLY WITH FINANCING FACILITIES OFFERED OTHER WESTERN SUPPLIERS BY THEIR GOVERNMENTS.

E) OVER PAST FOUR YEARS DEPARTMENT OF COMMERCE HAS INCREASINGLY SHIFTER RESPONSIBILITY FOR RECURITING AND ORGANIZING FOR US PAVILION AT DAMASCUS INTERNATIONAL FAIR FROM WASHINGTON TO POST. PRINCIPAL REASON CITED IS LACK OF RESOURCES BUT WE SENSE THERE IS ALSO A CERTAIN AMOUNG OF PROFESSIONAL CONTEMPT IN USG FOR THE MULTI-PURPOSE COMMERCIAL FAIR LIKE DIF THAT ATTRACTS SIGHTSEERS AS WELL AS BUYERS. THIS ATTITUDE IS REINFORCED BY THE "IMMEDIATE SALES" CRITERION USED TO JUDGE EFFECTIVENESS
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OF US PARTICIPATION. IN ADDITION, NONE OF THE INVITATIONS EXTENDED BY SYRIAN GOVERNMENT TO THE US SECRETARY OF COMMERCE EACH YEAR SINCE 1974 TO VISIT THE DAMASCUS FAIR HAS BEEN ACCEPTED, ALTHOUGH IN SUMMER 1976 EDWARD O. VETTER, UNDERSECRETARY OF COMMERCE, VISITED THE FAIR ON BEHALF OF THE SECRETARY. ACTUALLY, FAIR PARTICIPATION HAS BEEN HELPFUL AND SUCCESSFUL TO A NUMBER OF FIRMS OVER PAST FEW YEARS.

F) THERE ARE A NUMBER OF OTHER AREAS WE MIGHT LOOK AT TO EXAMINE THEIR LONG TERM EFFECT ON US EXPORTS, SUCH AS:

(1) DEVELOPING SPECIAL "COMMERCIAL ENGLISH" COURSES IN OUR USICA CENTERS;

(2) EVALUATING THE "PURCHASING POTENTIAL AND INTEREST" OF FOREIGN VISITORS TO THE US UNDER AID, CULTURAL EXCHANGE OR VOLUNTARY VISITOR PROGRAMS AND ASSURING THAT EXPOSURE TO SUPPLIERS IS BUILT INTO THEIR PROGRAMS.

(3) MEASURING REVENUE GAINED BY INCREASED TAXES ON INCOMING OF OVERSEAS AMERICANS AGAINST REVENUE LOST BY THE REDUCED NUMBER OF AMERICANS WORKING OVERSEAS AS A RESULT OF HIGHER TAXES. WHEN A WEST GERMAN ENGINEER OR EXPERT REPLACES AN AMERICAN ON A PROJECT, WEST GERMAN EQUIPMENT IS LIKELY TO REPLACE AMERICAN EQUIPMENT AS WELL.

2. THE US SHARE OF SYRIA'S 1976 IMPORTS OF \$2.3 BILLION
WAS 272 MILLION, OR 12 PERCENT, IN THE FIRST NINE MONTHS
OF 1977, OUR SHARE DROPPED TO \$93 MILLION OF \$2.02 BILLION
IMPORTS, OR LESS THAN FIVE PERCENT. WE COULD DO A LOT
BETTER.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, EXPORTS, ARABS, INTERAGENCY COMMITTEES, ARAB STATES, BOYCOTTS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978DAMASC02394
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780188-1185, D780183-0728
Format: TEL
From: DAMASCUS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t1978046/aaaaaeqs.tel
Line Count: 122
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b66da1b0-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 DAMASCUS 2342, 78 STATE 95673
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2977635
Secure: OPEN
Status: NATIVE
Subject: INTERAGENCY TASK FORCE TO DEVELOP NATIONAL EXPORT POLICY: SYRIA AND THE ARAB WORLD
TAGS: ETRD, BEXP, SY, XX, US
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/b66da1b0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014